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TAGS: [ECON](#) [EIND](#) [ENRG](#) [PREL](#) [RS](#)
SUBJECT: STRATEGIC SECTORS LAW SUBMITTED TO GOVERNMENT

REF: A. 05MOSCOW3511

- [1](#)B. 05MOSCOW12258
- [1](#)C. 05MOSCOW15602
- [1](#)D. 06MOSCOW3523

[1](#)1. (C) Summary. The Ministry of Industry and Energy (MIE) on October 13 submitted the draft law on Foreign Investment in the Strategic Sectors for government review. Contrary to press reports that the new draft reduces the number of strategic sectors that would be regulated by the new legislation from 39 TO 7, contacts at the MIE and the Ministry of Economic Development and Trade (MEDT) say that the draft law has not changed from previous versions (see reftels) and the 39 types of economic activity governed by the new legislation have just been grouped into 7 categories. On other key sticking points, the definition of what constitutes a strategic deposit and the level of foreign equity that would trigger review of a particular project have not yet been decided. End summary.

[1](#)2. (C) The business newspaper Kommersant reported October 16 that the Ministry of Industry and Energy (MIE) submitted the draft law on Foreign Investment in Strategic Sectors to the government on October 13 and claimed the new draft reduced the number of economic activities that would be governed by the new law from 19 to 7 (comment: the 19 appears to be an error because previous drafts list 39 activities considered "strategic"). Emboffs discussed the article with both MEDT Deputy Minister Kiril Androsov and the MIE Director for Legal Affairs Vladimir Teraskin, who indicated that the draft remains virtually unchanged from the version released earlier this year. Teraskin explained that the 39 sectors have just been grouped into 7 categories.

[1](#)3. (C) Teraskin confirmed that the draft has been finalized and Deputy Premier Zhukov would send it to an inter-ministerial commission for review on October 19 or 20. He said that differences between the MIE and FSB remain on the level of foreign equity stake in a deal that would trigger a review, with the MIE sticking to 50 percent and the FSB insisting on 30. MEDT Deputy Minister Androsov said that the interagency commission would review the draft in the next two to three weeks and then submit it for government approval. Duma review would then follow. According to Androsov, the definition of strategic deposits is still under review by the respective ministries. He said that the MEDT position on strategic deposits has not changed and continues

to include only the 7 largest deposits.

14. (C) Comment: This week's submission of the draft law to the inter-ministerial commission is the first sign of real life since the draft was sent back to the government late last year for further review, but the continued lack of consensus over key issues illustrates the sensitivity surrounding this proposal. Putin will probably have to intervene and break the impasse if this law is going to be passed before the end of 2006.

BURNS